

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6497**

**BILL NUMBER:** HB 1145

**NOTE PREPARED:** Jan 25, 2010

**BILL AMENDED:** Jan 25, 2010

**SUBJECT:** Property Tax Exemption Application Filing.

**FIRST AUTHOR:** Rep. Herrell

**FIRST SPONSOR:**

**BILL STATUS:** 2<sup>nd</sup> Reading - 1<sup>st</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) *Church Exemption:* This bill authorizes a property tax exemption for the 2007 assessment date for land and improvements owned by a church that failed to file an exemption application for that year.

*Social Service Center Exemption:* The bill authorizes a property tax exemption for the 2006 assessment date for personal property, land, and improvements owned by a social service center that failed to file an exemption application for that year.

*Fraternity and Other Exemptions:* This bill also permits a taxpayer to file or refile a property tax exemption application under the exemption statutes available for sorority and fraternity property or for charitable property generally with respect to exemptions for the 2006, 2007, 2008, and 2009 assessment dates.

*Continuance of Deductions:* The bill permits a transferee of real property to obtain the benefit of certain property tax deductions in the first full year that the property is owned by the transferee if the transferor would have been eligible for the property tax deductions had the property not been transferred and the property tax assessment board of appeals determines that the property became exempt from property taxation beginning with the first assessment date after the property was transferred to the transferee.

*Retroactive Exemptions:* This bill restricts the persons who are eligible to file a late property tax exemption application under the authority of P.L.182-2009(ss), SECTION 479.

**Effective Date:** (Amended) January, 1, 2006 (retroactive); June 30, 2009 (retroactive); January, 1, 2010 (retroactive); Upon passage.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Amended) *Church Exemption:* Under this provision, a church may file an exemption application by June 30, 2010, effective for taxes payable in 2008 under the following conditions:

- (1) The church constructed a community center, assessable for the 2007 assessment date;
- (2) The church failed to timely file an exemption application for the 2007 assessment date;
- (3) The property would have otherwise been eligible for exemption; and
- (4) The church timely filed an exemption application for the 2008 assessment date, which was granted.

The total number of properties that could be affected is unknown. One property has been identified in Howard County. According to county records, the original Pay 2008 tax bill was \$16,677. With penalties, the total due is \$18,372. A payment of \$9,186 was made in April 2009, leaving a balance of \$9,186.

Under this bill, the exemption would apply retroactively and the tax bill would be cancelled. The local taxing units and school corporation located in the property's taxing district would forego receipt of their share of the remaining \$9,186 that is due. Overall current year tax collections would also be reduced by \$9,186 in order to provide a refund of the amount already paid.

*Social Service Center Exemption:* Under this provision, a social service center may file an exemption application by June 30, 2010, effective for taxes payable in 2007 under the following conditions for either of two situations:

**Situation A**

- (1) The social service center acquired personal property and land, then made improvements to the land, all assessable for the 2006 assessment date;
- (2) The social service center failed to timely file an exemption application for the 2006 assessment date;
- (3) The property would have otherwise been eligible for exemption; and
- (4) The social service center timely filed an exemption application for the 2007 assessment date, which was granted.

The total number of properties that could be affected under this provision is unknown. One affected property has been identified in Marion County. According to a notice issued by the county in September 2009, the total amount due on real property, including interest and penalties, is \$64,389. According to county records, the original tax bill for personal property amounted to \$478.

**Situation B**

- (1) The social service center acquired personal property, land, and improvements from a nonprofit youth sports club that was assessable for the 2006 assessment date;
- (2) Neither the youth sports club nor the social service center timely filed an exemption application for the 2006 assessment date;
- (3) The property would have otherwise been eligible for exemption; and

(4) The social service center timely filed an exemption application for the 2007 assessment date, which was granted.

The total number of properties that could be affected under this provision is unknown. One affected property has been identified in Marion County. According to a notice issued by the county in September 2009, the total amount due on real property, including interest and penalties, is \$16,840.

Under both provisions, the exemptions would apply retroactively and the tax bills would be cancelled. The local taxing units and school corporation located in the property's taxing district would forego receipt of their share of the amounts currently due, about \$81,700.

*Fraternity and Other Exemptions:* Under this provision, a fraternity, sorority, or educational, literary, scientific, religious, or charitable organization may file an exemption application between January 16, 2010, and January 24, 2010, inclusive, effective for taxes payable in 2007, 2008, 2009, or 2010. In order to file an exemption application under this provision, the entity must have received an exemption for a preceding year on the same property.

The total number of properties that could be affected is unknown. One property owned by a fraternity has been identified in Marion County. According to county records, the original tax bills amounted to \$30,143 in 2007, \$25,872 in 2008, and \$19,310 in 2009. The total for this entity over the three years is \$75,325 plus accrued interest and penalties.

Under this provision, the exemption would apply retroactively and the tax bill would be cancelled. The local taxing units and school corporation located in the property's taxing district would forego receipt of their share of the amounts currently due.

*Continuance of Deductions:* Under current law, a homeowner's property tax deductions do not apply to taxes payable in the following year if the property is sold after March 1<sup>st</sup> and by December 31<sup>st</sup>. If the buyer is a qualifying homesteader, the buyer's deductions are effective for taxes payable in the following year.

Beginning with taxes payable in 2011 under this provision, the residential deductions (mortgage, elderly, blind or disabled, veterans, and rehabilitation) that belonged to the seller would continue for property taxes payable in the following year if the property is sold to a buyer that is granted a property tax exemption for the next assessment date.

The buyer is responsible for paying the property tax in the year after the sale. Currently, the tax amount that the buyer must pay does not reflect the homeowner's deductions, so the tax amount for that one year is higher than it was in previous years. Under this provision, the tax amount would be consistent with the prior year tax bill.

*Retroactive Exemptions:* HEA 1001-2009(ss) granted additional time to file for a property tax exemption that applies to taxes payable from 2002 through 2010 for property owned and used for educational, literary, scientific, religious, or charitable purposes. The extension of time applied if the owner failed to file an application or if there was insufficient documentation attached to the application. Exemption applications could have been filed through August 31, 2009.

This bill would limit the additional filing opportunity to an entity that meets at least one of the following sets of requirements:

- (1) The entity had a 501(c)(3) income tax exemption, timely filed, and was granted an exemption in year preceding the assessment year, but after 1999; or
- (2) The entity was formed to finance improvements and to allow a 501(c)(3) exempt organization to have predominant use of the property as a community center for working families; or
- (3) The entity was a 501(c)(3) exempt organization that predominantly used the property as a community center for working families.

The exemption applications that are allowed under current law will result in either unpaid taxes that were billed in prior years or in refunds of taxes paid by these entities. Refunds of prior property tax payments reduce current year tax revenues. Under the bill, an exemption application filed under the extension by an entity that did not meet any of the requirements would be denied. This bill would limit the number of retroactive exemptions granted and the associated revenue loss.

**State Agencies Affected:**

**Local Agencies Affected:** Local civil taxing units and school corporations.

**Information Sources:** Marion County Auditor tax records and treasurer notices.

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.